

also give priority to projects that are coordinated with State rural development initiatives or that serve a Federally-identified Empowerment Zone or Enterprise Community (EZ/EC) or a USDA-identified "Champion Community." Priority consideration will be provided through the award of additional points under the project selection criteria as specified in the grant announcement.

§§ 1709.103–1709.105 [Reserved]

§ 1709.106 Eligible applicants.

(a) Eligible applicants for grants to fund projects serving eligible extremely high energy cost communities include Persons, States, political subdivisions of States, and other entities organized under the laws of States.

(b) Eligible applicants may be for-profit or non-profit business entities including but not limited to corporations, associations, partnerships, limited liability partnerships (LLPs), co-operatives, trusts, and sole proprietorships.

(c) Eligible government applicants include State and local governments, and agencies and instrumentalities of States and local governments.

(d) Indian tribes, other tribal entities, and Alaska Native Corporations are eligible applicants.

(e) Individuals are also eligible applicants under this program, however the proposed grant project must provide community benefits and not be for the sole benefit of the individual applicant or an individual household.

(f) As a condition of eligibility, the applicant must demonstrate the capacity:

(1) to enter into a binding grant agreement with the Federal Government at the time of the award approval; and

(2) to carry out the proposed grant project according to its terms.

§ 1709.107 Eligible communities.

(a) An eligible community under this program is one in which the average home energy costs exceed 275 percent of the national average under one or more high energy cost benchmarks established by RUS based on the latest available residential energy informa-

tion from the Energy Information Administration (EIA) of the United States Department of Energy. RUS will update the national and high energy cost community benchmarks periodically to incorporate any changes in national home energy costs reported by EIA. RUS will publish the high energy cost community benchmark criteria in the grant announcement. Community eligibility will be determined by RUS at the time of application based on the criteria published in the applicable grant announcement.

(b) The Application must include information demonstrating that each community in the grant's proposed target area exceeds one or more of the RUS high energy cost community benchmarks to be eligible for assistance under this program. The smallest area that may be designated as a target area is a 2000 Census block

(c) The target community may include an extremely high cost to serve portion of a larger service area that does not otherwise meet the criteria, provided that the applicant can establish that the costs to serve the smaller target area exceed the benchmark.

(d) In determining the community energy costs, applicants may include additional revenue sources that lower the rates or out of pocket consumer energy costs such as rate averaging, and other Federal, State, or private cost contributions or subsidies.

(e) The applicant may propose a project that will serve high energy cost communities across a State or region, but where individual project beneficiaries will be selected at a later time. In such cases, to establish eligibility, the applicant must provide sufficient information in the application to determine that the proposed target area includes eligible high energy cost communities and proposed selection criteria to assure that grant funds are used to serve eligible communities.

§ 1709.108 Supporting data for determining community eligibility.

The application shall include the following:

(a) *Documentation of energy costs.* Documents or references to published or other sources for information or data

on home energy expenditures or equivalent measures used to support eligibility, or where such information is unavailable or does not adequately reflect the actual cost of average home energy use in a local community, reasonable estimates of commercial energy costs.

(b) *Served areas.* A comparison of the historical residential energy cost or expenditure information for the local commercial energy provider(s) serving the target community or target area with the benchmark criteria published by the Agency.

(c) *Engineering estimates.* Estimates based on engineering standards may be used in lieu of historical residential energy costs or expenditure information under the following circumstances:

(1) Where historical community energy cost data are unavailable (unserved areas), incomplete or otherwise inadequate;

(2) Where the target area is not connected to central station electric service to a degree comparable with other residential customers in the State or region.

(3) Where historic energy costs do not reflect the costs of providing a necessary upgrade or replacement of energy infrastructure that would have the effect of raising costs above one or more of the Agency benchmarks.

(d) *Independent Agency review.* Information to support high energy cost eligibility is subject to independent review by the Agency. The Agency may reject applications that are not based on credible data sources or sound engineering estimates.

§ 1709.109 Eligible projects.

Eligible projects are those that acquire, construct, extend, repair, upgrade or otherwise improve energy generation, transmission or distribution facilities serving communities with extremely high energy costs. All energy generation, transmission and distribution facilities and equipment used to provide or improve electricity, natural gas, home heating fuels, and other energy services to eligible communities are eligible. Projects providing or improving service to communities with extremely high energy costs through on-grid and off-grid renewable energy technologies, energy efficiency, and en-

ergy conservation projects and services are eligible. A grant project is eligible if it improves, or maintains energy services, or reduces the costs of providing energy services to eligible communities. Examples of eligible activities include, but are not limited to, the acquisition, construction, replacement, repair, or improvement of:

(a) Electric generation, transmission, and distribution facilities, equipment, and services serving the eligible community;

(b) Natural gas distribution or storage facilities and associated equipment and activities serving the eligible community;

(c) Petroleum product storage and handling facilities serving residential or community use.

(d) Renewable energy facilities used for on-grid or off-grid electric power generation, water or space heating, or process heating and power for the eligible community;

(e) Backup up or emergency power generation or energy storage equipment, including distributed generation, to serve the eligible community; and

(f) Implementation of cost-effective energy efficiency, energy conservation measures that are part of the implementation of a coordinated demand management or energy conservation program for the eligible community, such as, for example, weatherization of residences and community facilities, or acquisition and installation of energy-efficient or energy saving appliances and devices .

§ 1709.110 Use of grant funds.

(a) *Project development costs.* Grants may be used to fund the costs and activities associated with the development of an eligible energy project. RUS will in no case approve the use of grant funds to be used solely or primarily for project development costs. Eligible project development costs must be reasonable and directly related to the project and may include the following:

(1) Costs of conducting, or hiring a qualified consultant to conduct, a feasibility analysis of the proposed project to help establish the financial and technical sustainability of the project, provided that such costs do not exceed